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**Family Service of Greater Baton Rouge
Baton Rouge, Louisiana
December 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/5/07

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CERTIFIED PUBLIC ACCOUNTANTS

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June 7, 2007

Independent Auditor's Report

Board of Directors
Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the accompanying statements of financial position of

**Family Service of Greater Baton Rouge
(A Non-Profit Organization)
Baton Rouge, Louisiana**

as of December 31, 2006 and 2005, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Service of Greater Baton Rouge, as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2007, on our consideration of Family Service of Greater Baton Rouge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Family Service of Greater Baton Rouge taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Yours truly,

Hawthorn, Weymouth & Carroll, L.L.P.

**Family Service of Greater Baton Rouge
Statements of Financial Position
December 31, 2006 and 2005**

A s s e t s		<u>2006</u>	<u>2005</u>
Current Assets			
Cash and cash equivalents		\$1,940,263	\$1,899,011
Restricted cash		115,340	170,920
Investments		6,541	5,463
Receivables			
Service fees		4,299	4,626
Grants		277,870	370,570
Contributions		37,550	68,425
Pennington Family Loan Program		7,683	21,373
Other		1,580	
Prepaid pension cost		139,859	149,361
Other prepaid expenses		<u>19,716</u>	<u>23,239</u>
<u>Total current assets</u>		<u>2,550,701</u>	<u>2,712,988</u>
Fixed Assets - Net of Accumulated Depreciation		1,021,019	532,888
Deposits		<u>2,300</u>	<u>2,300</u>
<u>Total assets</u>		<u>3,574,020</u>	<u>3,248,176</u>
L i a b i l i t i e s a n d N e t A s s e t s			
Current Liabilities			
Accounts payable		34,711	21,792
Accrued liabilities		121,501	62,533
Deferred revenue		<u>607,381</u>	<u>364,885</u>
<u>Total current liabilities</u>		763,593	449,210
Long-Term Liabilities			
Notes payable		<u>300,000</u>	<u> </u>
<u>Total liabilities</u>		<u>1,063,593</u>	<u>449,210</u>
Net Assets			
Unrestricted		2,269,882	2,027,172
Temporarily restricted		<u>240,545</u>	<u>771,794</u>
<u>Total net assets</u>		<u>2,510,427</u>	<u>2,798,966</u>
<u>Total liabilities and net assets</u>		<u>3,574,020</u>	<u>3,248,176</u>

The accompanying notes are an integral part of these statements.

Family Service of Greater Baton Rouge
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2006 and 2005

Revenue	December 31, 2006			December 31, 2005		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support						
United Way	\$420,828		\$420,828	\$450,084		\$450,084
Contributions/fund raising	64,989	\$27,462	92,451	46,457	\$206,993	253,450
Service fees	66,912		66,912	90,732		90,732
Parenting Center fees	6,284		6,284	12,671		12,671
Interest	85,150	6,458	91,608	26,110	13,777	39,887
Independent Living Program	339,930		339,930	411,757		411,757
Workshops				8,219		8,219
Children's Trust Fund	24,039		24,039	11,023		11,023
HIV Prevention Grant	155,868		155,868	149,463		149,463
Care Coordination Grant	719,501		719,501	957,691		957,691
Women and Children HIV Grant	371,892		371,892	358,379		358,379
Pennington Family Loan Program	93,411		93,411	216,952		216,952
Public grants	308,967		308,967	76,897		76,897
In-Kind contribution	12,400		12,400	14,710		14,710
Other	<u>11,402</u>		<u>11,402</u>	<u>6,887</u>		<u>6,887</u>
	2,681,573	33,920	2,715,493	2,838,032	220,770	3,058,802
Net assets released from restrictions in satisfaction of program restrictions	<u>565,169</u>	<u>(565,169)</u>		<u>205,785</u>	<u>(205,785)</u>	
Total revenue, gains and other support	<u>3,246,742</u>	<u>(531,249)</u>	<u>2,715,493</u>	<u>3,043,817</u>	<u>14,985</u>	<u>3,058,802</u>
Expenses						
Program Services						
Counseling Program	233,551		233,551	258,310		258,310
Parenting Center	86,180		86,180	99,227		99,227
HIV Prevention	198,669		198,669	180,512		180,512
Care Coordination Program	821,686		821,686	1,016,078		1,016,078
Pennington Family Loan Program	272,989		272,989	280,862		280,862
Independent Living Program	396,024		396,024	441,747		441,747
Women and Children HIV Program	390,709		390,709	352,807		352,807
Supporting services						
Management and general	564,880		564,880	295,832		295,832
Fund raising	39,344		39,344	87,694		87,694
Total expenses	<u>3,004,032</u>		<u>3,004,032</u>	<u>3,013,069</u>		<u>3,013,069</u>
Change in Net Assets	242,710	(531,249)	(288,539)	30,748	14,985	45,733
Net Assets, beginning of year	<u>2,027,172</u>	<u>771,794</u>	<u>2,798,966</u>	<u>1,996,424</u>	<u>756,809</u>	<u>2,753,233</u>
Net Assets, end of year	<u>2,269,882</u>	<u>240,545</u>	<u>2,510,427</u>	<u>2,027,172</u>	<u>771,794</u>	<u>2,798,966</u>

The accompanying notes are an integral part of these statements.

Family Service of Greater Baton Rouge
Statement of Functional Expenses
Year Ended December 31, 2006

	Program Services							Fund Raising Expenses	Administrative Expenses	2006 Total Expenses
	Counseling Program	Parenting Center	HIV Prevention	HIVCC	PFLP	ILP	Women and Children HIV Grant			
Salaries and Related Expenses										
Salaries	\$164,021	\$51,318	\$142,131	\$474,735	\$112,017	\$192,959	\$242,286	\$14,482	\$316,674	\$1,710,623
Employee fringe benefits	34,938	9,731	26,875	101,523	37,287	41,600	57,033	917	3,738	313,642
Payroll taxes	<u>3,782</u>	<u>309</u>	<u>3,554</u>	<u>8,994</u>	<u>2,317</u>	<u>4,651</u>	<u>5,813</u>		<u>91,187</u>	<u>120,607</u>
Total salaries and related expenses	<u>202,741</u>	<u>61,358</u>	<u>172,560</u>	<u>585,252</u>	<u>151,621</u>	<u>239,210</u>	<u>305,132</u>	<u>15,399</u>	<u>411,599</u>	<u>2,144,872</u>
General Expenses										
Professional fees	6,023	6,997	840	3,312	10,095	2,340	3,883		25,744	59,234
Supplies	6,946	6,163	3,160	13,571	5,284	4,609	2,646	423	15,359	58,161
Telephone	4,315	713	1,739	6,578	2,375	3,434	1,677	99	1,874	22,804
Postage	1,459	1,197	2,122	905	481	76	437	1,100	3,644	11,421
Janitorial and maintenance	1,626	710	1,150	4,935	898	661	2,004	94	1,950	14,028
Interest expense					7,923		7,923			7,923
Utilities	3,085	1,153	1,760	6,650	722	912	3,076	228	2,893	20,479
Lease					5,688				2,275	13,651
Repairs and maintenance of equipment	2,711	1,147	954	2,120	1,809	1,898	1,508	338	9,066	21,551
Printing and publications	1,863	4,057	19	434	373		63	685	2,176	9,670
Travel										
Local		7	4,870	4,349	230	3,637	8,206	116	1,565	22,980
Out of town	579	238	2,039			4,145		329	1,105	8,435
Attending conferences	73	289	1,336	1,951		4,356	7,594	1,068	2,079	18,746
Conducting conferences	24	1,476	443	2,862	190	2,801	1,160	6,200	1,780	16,936
Specific assistance			4,707	184,547		120,954	51,330			361,538
Membership dues									500	500
Miscellaneous	530			35	9,477	64	142	800	21,278	32,326
In-Kind expenses								12,400		12,400
Payments to Affiliated Organization	578	244	400	1,655	649	456	693	42	147	4,864
Insurance	998	431	570	2,530	1,051	783	1,158	23	10,080	17,624
Bad debts					74,123					74,123
Depreciation									49,766	49,766
Total general expenses	<u>30,810</u>	<u>24,822</u>	<u>26,109</u>	<u>236,434</u>	<u>121,368</u>	<u>156,814</u>	<u>85,577</u>	<u>23,945</u>	<u>153,281</u>	<u>859,160</u>
Total functional expenses	<u>233,551</u>	<u>86,180</u>	<u>198,669</u>	<u>821,686</u>	<u>272,989</u>	<u>396,024</u>	<u>390,709</u>	<u>39,344</u>	<u>564,880</u>	<u>3,004,032</u>

The accompanying notes are an integral part of these statements.

**Family Service of Greater Baton Rouge
Statement of Functional Expenses
Year Ended December 31, 2005**

	Program Services							Fund Raising Expenses	Administrative Expenses	2005 Total Expenses
	Counseling Program	Parenting Center	HIV Prevention	HIVCC	PFLP	ILP	Women and Children HIV Grant	Total Program Services		
Salaries and Related Expenses										
Salaries	\$194,789	\$63,524	\$134,634	\$467,467	\$151,567	\$192,398	\$242,753	\$1,447,132	\$134,344	\$1,607,331
Employee fringe benefits	21,926	12,086	17,188	85,968	30,503	26,649	38,417	232,737	27,367	263,674
Payroll taxes	13,189	4,176	8,031	33,186	8,962	13,009	17,432	97,985	18,456	118,419
Total salaries and related expenses	229,904	79,786	159,853	586,621	191,032	232,056	298,602	1,777,854	180,167	1,989,424
General Expenses										
Professional fees	3,532	2,795	1,510	10,611	12,010	2,005	1,833	34,296	834	73,880
Supplies	3,201	1,464	2,487	9,918	3,593	10,398	3,388	34,449	6,214	41,242
Telephone	3,937	1,053	1,209	5,896	2,482	3,405	1,250	19,232	5,637	24,869
Postage	57	21	1,005	1,366	1,872	52	760	5,133	2,183	8,241
Janitorial and maintenance	2,180	2,015	1,193	5,645	640	503	2,681	14,857	2,024	16,881
Utilities	2,443	1,066	1,240	5,750			2,804	13,303	623	13,926
Lease					11,944	15,356		27,300		27,300
Repairs and maintenance of equipment	1,796	552	945	1,947	1,134	1,019	1,321	8,714	5,255	13,969
Printing and publications	1,918	3,306	419	1,433	842	435	554	8,907	88	8,995
Travel										
Local	269	168	3,567	3,586	53	3,750	6,406	17,799	1,297	19,096
Out of town	292	531	3,165	250	1,215	3,072	1,347	9,872	1,050	10,922
Attending conferences	982		626	947	25	8,103	2,461	13,144	2,271	15,415
Conducting conferences	2,210	5,829	1,615	1,850	197	28,057	867	40,625	1,855	42,657
Specific assistance			803	375,736		131,901	25,608	534,048		534,048
Membership dues				75		500		575	360	935
Miscellaneous	196	13	128	1,001	12,436	100	1,277	15,151	7,835	24,136
In-Kind expenses										
Payments to Affiliated Organization	632	275	327	1,510	646	494	722	4,606	143	4,749
Insurance	809	353	420	1,936	707	541	926	5,692	18,835	24,527
Bad debts	3,952				40,034			43,986	20,000	63,986
Depreciation									39,161	39,161
Total general expenses	28,406	19,441	20,659	429,457	89,830	209,691	54,205	851,689	115,665	1,023,645
Total functional expenses	258,310	99,227	180,512	1,016,078	280,862	441,747	352,807	2,629,543	295,832	3,013,069

The accompanying notes are an integral part of these financial statements.

Family Service of Greater Baton Rouge
Statements of Cash Flows
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Change in net assets	(\$288,539)	\$45,733
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	49,766	39,161
Bad debt expense		23,952
Unrealized gain on investments	(1,078)	(109)
Provision for loan losses	45,803	40,034
(Increase) decrease in restricted cash	55,580	3,280
(Increase) decrease in accounts receivable	122,322	6,133
(Increase) decrease in prepaid expenses	3,523	11,970
(Increase) decrease in prepaid pension costs	9,502	7,860
Increase (decrease) in accounts payable	12,919	11,719
Increase (decrease) in accrued liabilities	58,968	8,481
Increase (decrease) in deferred revenue	<u>242,496</u>	<u>309,885</u>
<u>Net cash provided by operating activities</u>	<u>311,262</u>	<u>508,099</u>
Cash Flows From Investing Activities		
(Increase) decrease in loans receivable	(32,113)	100,305
Purchase of equipment	<u>(537,897)</u>	<u>(121,559)</u>
<u>Net cash used by investing activities</u>	<u>(570,010)</u>	<u>(21,254)</u>
Cash Flows From Financing Activities		
Proceeds from note payable	<u>300,000</u>	_____
<u>Net cash provided by financing activities</u>	<u>300,000</u>	_____
Net Increase in Cash and Cash Equivalents	41,252	486,845
Cash and Cash Equivalents, beginning of year	<u>1,899,011</u>	<u>1,412,166</u>
Cash and cash Equivalents, end of year	<u><u>1,940,263</u></u>	<u><u>1,899,011</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	<u><u>7,923</u></u>	<u><u>1,717</u></u>

The accompanying notes are an integral part of these statements.

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2006

Note 1-Nature of Operations

The mission of Family Service of Greater Baton Rouge (the Agency) is to support, strengthen and enhance family life in greater Baton Rouge and the surrounding parishes through direct services and positive social actions. The Agency was incorporated in 1955, has been a United Way agency since 1959, and an affiliate member of Alliance for Children and Families, an international nonprofit organization, since 1962. The Agency has various funding resources that includes United Way, state and local grants, service fees and contributions. The Agency offers a wide range of services:

The Child & Family Counseling Center - service to individuals, couples, and families seeking professional solutions.

Parenting Center - provides workshops, classes and parent consultation on a number of issues from attention deficit hyperactivity disorder (ADHD) to divorce.

HIV Prevention - combines educational programs, counseling and testing services aimed at prevention and early detection of HIV infection.

HIV Care Coordination & HIV Women and Children - programs are committed to assisting HIV/AIDS clients in transportation, medication, housing assistance, support groups, mental health, substance abuse counseling and legal services.

Pennington Family Loan - provides loans to low income families, helping them to meet work goals and strive for self-sufficiency.

Independent Living Program (ILP) - serves foster youth, transitioning from state custody to independent living. AdoptUSKids is included as a service to connect foster and adoptive families and children.

Note 2-Significant Accounting Policies

A. Basis of Accounting

The financial statements are presented using the accrual basis of accounting.

B. Basis of Presentation

The Agency has adopted Statement of Financial Accounting Standards ("SFAS") No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include those net assets whose use by the Agency is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those net assets whose use by the Agency has been limited by donors (a) to later periods of time or other specific dates, or (b) to specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions permanently limiting the Agency's use of the asset. The Agency does not have any permanently restricted net assets.

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2006

Note 2-Significant Accounting Policies (Continued)

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Cash and Cash Equivalents

The agency considers all highly liquid investments with a original maturities of three months or less, and any certificates of deposit that do not contain material early withdrawal penalties, to be cash equivalents.

E. Receivables

Receivables are presented at face value, net of the allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts based on current economic conditions.

F. Contributions

Contributions received, including unconditional promises to give, are measured at their fair value and recorded as increases in net assets. In the absence of donor restriction, donated assets are reported as unrestricted assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for doubtful accounts has been established based on management's assessment of collectibility.

No discount has been recorded for these items because management considers any discount to be insignificant.

G. Investments

Investments in equity securities with readily determinable fair values and all debt securities are carried at fair value. Fair value is determined using quoted market prices (where available), or if not available, estimated fair values based on quoted market prices of financial instruments with similar characteristics. All other investments are carried at the lower of cost or market. Recognized gains and losses on investments are reflected in the statement of activities. Dividends and interest income are recorded during the period earned.

H. Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over the useful lives of the assets, which range from 3 - 45 years.

Expenditures for major additions of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

I. Restrictions on Net Assets

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2006

Note 2-Significant Accounting Policies (Continued)

I. Restrictions on Net Assets (Continued)

reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions received with restrictions that are met during the year that they are received are included in the financial statements as unrestricted contributions. The Agency has no permanently restricted assets.

J. Contributed Services

Donations of services that create or enhance physical assets and essential services that are donated by persons with specialized skills are measured at their fair value and reported as increases in unrestricted net assets during the period provided. Contributions of catering services of \$12,400 are shown as contributions revenue and fund raising expense in the statement of activities for the year ended December 31, 2006.

K. Income Taxes

The Agency is exempt from taxation as a public charity under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

L. Advertising

Advertising costs are charged to operations when incurred. There was no advertising expense for 2006 and 2005.

M. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note 3-Restricted Cash

The Agency has an agreement with State Bank as a "banking partner" to handle all new loans for its Pennington Family Loan Program. The Agency is required to pledge cash as collateral for loans issued by State Bank under this program. At December 31, 2006 and 2005, \$115,340 and \$170,920 have been pledged as collateral.

Note 4-Investments

At December 31, the carrying value of the Agency's investments is comprised of the following:

	<u>2006</u>	<u>2005</u>
Equities	<u>\$6,541</u>	<u>\$5,463</u>

Investment return consists of interest and dividend income, net realized gains on sale of investments, and net appreciation on investments reported gross of related expenses. No gains or losses were realized on investments reported at other than fair value.

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2006

Note 5-Receivables

Receivables are composed of the following:

	<u>2006</u>	<u>2005</u>
Services Fees		
Service fee	\$4,299	\$12,126
Less doubtful accounts		(7,500)
	<u>4,299</u>	<u>4,626</u>
Grants		
Women and Children HIV/Children's Hospital Grant	61,136	87,504
Independent Living Program	49,289	31,614
Care Coordination Program	112,939	181,830
HIV Prevention Program	52,531	69,622
Children's Trust Fund	1,975	
	<u>277,870</u>	<u>370,570</u>
Pledge Receivables		
Unconditional promise - less than one year	29,250	15,550
Unconditional promise - 1 to 5 years	28,300	72,875
Less doubtful accounts	(20,000)	(20,000)
	<u>37,550</u>	<u>68,425</u>
Pennington Family Loan Program		
Loans	86,216	71,587
Less doubtful accounts	(78,533)	(50,214)
	<u>7,683</u>	<u>21,373</u>

Note 6-Land, Building and Equipment

Land, building and equipment consists of the following:

	<u>2006</u>	<u>2005</u>
Land	\$126,527	\$126,527
Building addition	622,067	
Building and improvements	466,486	451,058
Equipment	320,826	310,507
Automobiles	10,154	10,154
	1,546,060	898,246
Less accumulated depreciation	(525,041)	(475,275)
	1,021,019	422,971
Construction in progress		109,917
Total land, building and equipment	<u>1,021,019</u>	<u>532,888</u>

In 2005, the Agency entered into a contract with Ernst Construction Company, Inc. for the construction of a new building addition. As of December 31, 2006, the Agency has incurred \$15,000, with a remaining amount of \$38,700 to be incurred in 2007.

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2006

Note 7-Deferred Revenue

As of December 31, 2006 and 2005, the Agency received \$607,381 and \$364,885 in grant proceeds that are to be used during 2007 and 2006, respectively.

Note 8-Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as follows:

	<u>2006</u>	<u>2005</u>
Women's Support Group	\$1,191	\$937
Building Fund	28,077	528,448
Pennington Family Loan Program (net of loan loss reserves of \$78,533 in 2006 and \$50,214 in 2005)	<u>211,277</u>	<u>242,409</u>
	<u>240,545</u>	<u>771,794</u>

Note 9-Pension Plan - Defined Benefit

The Agency has a noncontributory defined benefit pension plan. Contributions to the plan for 2006 and 2005 were \$73,746 and \$94,980, respectively.

Benefits under the plan are generally based on the employee's compensation during the highest five consecutive calendar years during the last ten calendar years of service before retirement. The pension plan is funded in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

A reconciliation of the Plan's funded status and amounts recognized in the Agency's statements of financial position at December 31, 2006 and 2005 is as follows.

	<u>2006</u>	<u>2005</u>
Benefit obligations at December 31	\$1,421,110	\$1,261,239
Fair value of Plan assets at December 31	<u>(1,343,832)</u>	<u>(1,126,683)</u>
Funded status (deficit)	<u>77,278</u>	<u>134,556</u>
Prepaid benefit cost recognized in the Statement of Financial Position	<u>139,859</u>	<u>149,361</u>

Weighted-average assumptions as of December 31:

	<u>2006</u>	<u>2005</u>
Discount rate	5.75%	5.75%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	5.00%	5.00%
Benefit cost	<u>\$83,248</u>	<u>\$78,251</u>

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2006

Note 10-Pension Plan - Defined Contribution

The Agency has a defined contribution plan subject to Section 403(b) of the Internal Revenue Code. The plan covers substantially all of its employees who meet eligibility requirements. Contributions to the plan are based on 25% of the first 6% of the amount of the salary reduction of each employee. The amounts of pension expense under this plan were \$9,310 and \$12,616 for the years ended December 31, 2006 and 2005, respectively.

Note 11-Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted based on records and estimates made by the Agency's management.

Note 12-Concentration of Credit Risk

At various times during the year, cash and cash equivalents on deposit with one banking institution exceeded the \$100,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the institution on a regular basis, along with its balances in cash and cash equivalents, to minimize potential risk.

Note 13-Economic Dependency

The Agency receives a majority of its revenue from funds provided through programs administered by the State of Louisiana and United Way. The program amounts are appropriated each year by the Federal and State governments and the United Way Agency. If significant budget cuts are enacted at the Federal and/or State level, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

Note 14-Contingencies - Grant Program

The Agency participates in Federal and State grant programs, which are governed by various rules and regulations. Costs charged to the grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received and the collectibility of any related receivable at year end may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and Family Service of Greater Baton Rouge.

Supplementary Information

Family Service of Greater Baton Rouge
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2006

Note 1-Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal expenditures of the Family Service of Greater Baton Rouge and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Disburse- ments/ Expenditures</u>
Department of Health and Human Services/ Louisiana Department of Health and Hospitals: HIV Prevention Program	93.941	\$155,868
Department of Health and Human Services/ HIV/AIDS Alliance for Region Two, Inc.: Care Coordination (Ryan White)*	93.917	603,916
Department of Health and Human Services/Louisiana Department of Social Services/Office of Community Services: Women and Children HIV Grant	93.153	371,892
Independent Living Program (Contracts A and B)	93.599	338,930
Department of Transportation/Job Access Reverse Program/Ways to Work, Inc.: Family Loan Program	20.516	10,091
Department of Housing and Urban Development/Community Development Block Grant/Entitlement Grant Family Loan Program	14.218	<u>54,876</u>
		<u>1,535,573</u>

*Denotes major program

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CERTIFIED PUBLIC ACCOUNTANTS

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June 7, 2007

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of Family Service of Greater Baton Rouge as of and for the year ended December 31, 2006, and have issued our report thereon dated June 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Family Service of Greater Baton Rouge's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Family Service of Greater Baton Rouge's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Family Service of Greater Baton Rouge's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood

that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2006-1, 2006-2 and 2006-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Service of Greater Baton Rouge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

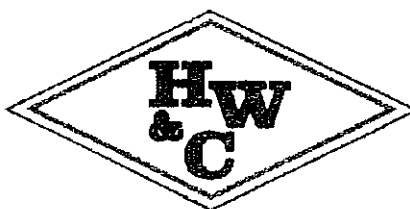
This report is intended solely for the information and use of the Board of Directors, management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Weymouth & Carroll, R.L.P.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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June 7, 2007

**Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control over Compliance
In Accordance with OMB Circular A-133**

Board of Directors
Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

Compliance

We have audited the compliance of Family Service of Greater Baton Rouge (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2006. Family Service of Greater Baton Rouge's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Family Service of Greater Baton Rouge's management. Our responsibility is to express an opinion on Family Service of Greater Baton Rouge's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Family Service of Greater Baton Rouge's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Family Service of Greater Baton Rouge's compliance with those requirements.

In our opinion, Family Service of Greater Baton Rouge complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Family Service of Greater Baton Rouge is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Family Service of Greater Baton Rouge's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Family Service of Greater Baton Rouge's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2006-1 through 2006-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompany schedule of findings and questioned costs to be material weaknesses.

Family Service of Greater Baton Rouge's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Family Service of Greater Baton Rouge's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Weymouth & Carroll, L.L.P.

Family Service of Greater Baton Rouge
Schedule of Findings and Questioned Costs
Year Ended December 31, 2006

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Family Service of Greater Baton Rouge.
2. Three significant deficiencies disclosed during the audit of the financial statements were reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Family Service of Greater Baton Rouge, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Three significant deficiencies relating to the audit of the major federal award program are reported in the Report On Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133
5. The auditor's report on compliance for the major federal award programs for the Family Service of Greater Baton Rouge expresses an unqualified opinion on its major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program included:

Care Coordination (Ryan White)	93.917
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8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Family Service of Greater Baton Rouge qualified as a low-risk auditee.

**Family Service of Greater Baton Rouge
Schedule of Findings and Questioned Costs
Year Ended December 31, 2006**

Findings - Financial Statement Audit

2006-01 Cash

Condition

During our review of the December 31, 2006 bank reconciliation, we noted several electronic fund transfers (EFT) over 120 days old that had not cleared the bank statement. During further investigation, we found that the outstanding EFTs were double posted to the general ledger.

Recommendation

All bank statement reconciling items which do not clear on the succeeding month's bank statement should be investigated.

Management's Response

When the operating account bank reconciliation occurs each month, the person performing the bank reconciliation will make a note about any outstanding EFTs or large amount checks. A quick review can determine if there is any problem.

2006-02 Family Loan Program

Condition

The Family Loan Program subsidiary ledger is not being reconciled to the general ledger.

Recommendation

The subsidiary ledger and the general ledger should be reconciled monthly.

Management's Response

The Family Loan Program subsidiary ledger is based on numbers created by a third party software. The Family Loan Program employees have indicated that the other software always generates unusual numbers of small amount on each of the loans. This causes the subsidiary ledger to differ from the general ledger which is posted on the basis of bank statements from the loaning banks. An entry will be done each month to balance the subsidiary ledger to the general ledger.

**Family Service of Greater Baton Rouge
Schedule of Findings and Questioned Costs
Year Ended December 31, 2006**

Findings - Financial Statement Audit (Continued)

2006-3 Payroll Taxes

Condition

Family Service of Greater Baton Rouge did not make timely payments in February, 2006 for payroll taxes as required by the Internal Revenue Service. We also noted Family Service of Greater Baton Rouge did not file Form 941 for the first quarter of 2006.

Recommendation

Payroll tax deposits should be timely made and Form 941 should be timely filed as required by the Internal Revenue Service.

Management's Response

An unusual circumstance occurred with the EFT for payroll taxes. Usually payroll taxes are paid timely via EFT. The first quarter Form 941 was mailed in at the appropriate date (a postage receipt indicates that it was mailed on April 14, 2006). However, the IRS did not notify the agency that the Form 941 was not received until 2007. The agency will ensure payment of EFT taxes within two days of payroll check issuance and will mail all quarterly reports with postage receipt indicating the date.

**Family Service of Greater Baton Rouge
Schedule of Prior Year Findings
Year Ended December 31, 2006**

Findings - Financial Statement Audit

2005-1 Service Fees

Condition

The Agency had no subsidiary ledger for services fees as of December 31, 2005. The subsidiary ledger file became corrupted in mid 2005 and as of April 25, 2006, the file has not been restored. Therefore, a subsidiary does not exist.

Recommendation

We recommend the client begin a new subsidiary and reconcile to the general ledger on a monthly basis going forward.

Management's Response

Family Service of Greater Baton Rouge concurs on the monthly balancing of the Counseling subsidiary ledger. We have already begun the new data base; we are reconstructing last year so that we will have accurate balances to begin 2006. Additionally, we are keeping two computer backups of all data entered into the Counseling subsidiary ledger to prevent any future corruption of files.

This item was corrected in 2006.